

Qwest Communications

3rd Quarter 2003 Non-GAAP Reconciliations

RECONCILIATION OF NON-GAAP MEASURES

QWEST COMMUNICATIONS INTERNATIONAL INC. WEBSITE DISCLOSURE (UNAUDITED)

ADJUSTED EBITDA: (1)

(\$ in Millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Operating (loss) income	\$ (523)	\$ 76	\$ (163)	\$ (19,266)
Add back:				
Restructuring and other charges	37	135	67	161
Asset impairment charges	230	-	230	10,499
Goodwill impairment charges	-	-	-	8,483
Other intangible assets amortization	119	104	339	469
Depreciation	677	692	2,030	2,573
Adjusted EBITDA	\$ 540	\$ 1,007	\$ 2,503	\$ 2,919

ADJUSTED EBITDA MARGIN

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Adjusted EBITDA	\$ 540	\$ 1,007	\$ 2,503	\$ 2,919
Divided by total operating revenues	3,570	3,772	10,790	11,666
Adjusted EBITDA Margin	15.1%	26.7%	23.2%	25.0%

(1) Adjusted EBITDA and Adjusted EBITDA Margin is a non-GAAP measure representing an important indicator of profitability for capital-intensive businesses, and remain key metrics for valuation in the investment community. We also use Adjusted EBITDA internally for a variety of purposes, including setting targets for compensation. For purposes of calculating Adjusted EBITDA we exclude the following items from Operating (loss) income: Restructuring and other charges, Asset impairment charges, Goodwill impairment charges, Other intangible assets amortization and Depreciation.

Consolidated Statements of Income - Reported Basis (unaudited)
(amounts in millions, except per share data)

Attachment 2
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* - Not meaningful.

Operating income	\$1,538	\$1,136	35.4%	\$1,554	-1.0%	\$5,906	\$4,746	24.4%
Operating margin	26.8%	20.0%	680 bps	27.1%	-30 bps	26.1%	21.1%	500 bps
Declared dividends per share	\$0.25	\$0.20	25.0%	\$0.23	8.7%	\$0.92	\$0.79	16.5%
Capital expenditures	\$1,076	\$922	16.7%	\$764	40.8%	\$3,200	\$3,785	-15.5%
Common shares outstanding	1,830	1,860	-1.6%	1,848	-1.0%			
Book value per share	\$10.77	\$9.63	11.8%	\$10.65	1.1%			
Debt ratio	43.1%	49.2%	-610 bps	43.2%	-10 bps			
Total employees	75,743	77,020	-1.7%	76,009	-0.3%			

Consolidated Statements of Income - Normalized Basis (unaudited)
(amounts in millions, except per share data)

Note to Readers: Our reported results, as shown on page 1, are prepared in accordance with generally accepted accounting principles (GAAP). The normalized results presented below exclude the impact of certain non-recurring or non-operating items, the details of which are provided on pages 3 and 4 of this release. In addition, the normalized results reflect our 40% proportionate share of Cingular's results, the presentation of which is not allowed under GAAP. Certain reclassifications have been made to prior periods to conform to the current presentation.

Selected Financial and Operating Data

Operating income	\$1,687	\$1,631	3.4%	\$1,801	-6.3%	\$7,032	\$7,105	-1.0%
Operating margin	23.2%	23.4%	-20 bps	24.6%	-140 bps	24.5%	24.9%	-40 bps
Declared dividends per share	\$0.25	\$0.20	25.0%	\$0.23	8.7%	\$0.92	\$0.79	16.5%
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BellSouth Corporation

Normalized Earnings Summary and Reconciliation to Reported Results
(amounts in millions, except per share data)

Attachment 2
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Fourth Quarter 2003

	Normalizing Items					Normalized
	GAAP	Cingular A	FX Losses (Gains) F	Pension/ Severance J	Sale of Brazil SP K	
Operating Revenues	\$ 5,742	\$ 1,518	\$ -	\$ -	\$ -	\$ 7,260
Operating Expenses	4,204	1,385	-	(16)	-	5,573
Operating Income	1,538	133	-	16	-	1,687
Interest Expense	243	59	-	-	-	302
Other Income (Expense), net	1	(70)	(14)	-	154	71
Income Before Taxes and Accounting Change	1,296	4	(14)	16	154	1,456
Provision for Income Taxes	509	4	(5)	6	(7)	507
Net Income Before Cumulative Effect Change	787	-	(9)	10	161	949
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-	-
Net Income	\$787	\$0	(\$9)	\$10	\$161	\$949
Diluted Earnings Per Share *	\$0.43	\$0.00	(\$0.00)	\$0.01	\$0.09	\$0.51

* Normalized earnings per share for fourth quarter 2003 does not sum due to rounding.

Year-to-Date 2003

	Normalizing Items								Normalized
	GAAP	Cingular A	FX Losses (Gains) F	A&P Acctg. Change G	FAS 143 I	Pension/ Severance J	Sale of Brazil NE/SP K	Asset Impairment L	
Operating Revenues	\$ 22,635	\$ 6,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,658
Operating Expenses	16,729	5,106	-	-	-	(157)	-	(52)	21,626
Operating Income	5,906	917	-	-	-	157	-	52	7,032
Interest Expense	1,048	247	-	-	-	-	-	-	1,295
Other Income (Expense), net	742	(658)	(118)	-	-	-	229	-	195
Income Before Taxes and Accounting Change	5,600	12	(118)	-	-	157	229	52	5,932
Provision for Income Taxes	2,011	12	(8)	-	-	61	(5)	20	2,091
Net Income Before Cumulative Effect Change	3,589	-	(110)	-	-	96	234	32	3,841
Cumulative Effect of Change in Accounting Principle	315	-	-	501	(816)	-	-	-	-
Net Income	\$3,904	\$0	(\$110)	\$501	(\$816)	\$96	\$234	\$32	\$3,841
Diluted Earnings Per Share *	\$2.11	\$0.00	(\$0.06)	\$0.27	(\$0.44)	\$0.05	\$0.13	\$0.02	\$2.07

* Normalized earnings per share for year-to-date 2003 does not sum due to rounding.

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Normalized Earnings Summary and Reconciliation to Reported Results
(amounts in millions, except per share data)

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Fourth Quarter 2002

	Normalizing Items							Normalized
	GAAP	Cingular A	FX Losses (Gains) F	A&P Acctg. Change G	Pension/ Severance J	Disposition of Listel K	Asset Impairments L	
Operating Revenues	\$ 5,692	\$1,441	\$ -	\$ (162)	\$ -	\$ -	\$ -	\$ 6,971
Operating Expenses	4,556	1,235	-	(54)	(105)	-	(292)	5,340
Operating Income	1,136	206	-	(108)	105	-	292	1,631
Interest Expense	292	65	-	-	-	-	-	357
Other Income (Expense), net	68	(141)	33	-	-	74	(3)	31
Income Before Taxes and Accounting Change	912	-	33	(108)	105	74	289	1,305
Provision for Income Taxes	338	-	7	(41)	41	23	91	459
Net Income Before Cumulative Effect Change	574	-	26	(67)	64	51	198	846
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-	-	-	-
Net Income	\$574	\$0	\$26	(\$67)	\$64	\$51	\$198	\$846
Diluted Earnings Per Share	\$0.31	\$0.00	\$0.01	(\$0.04)	\$0.03	\$0.03	\$0.11	\$0.45

Year-to-Date 2002

Year-to-Date 2002	Normalizing Items															Normalized
	GAAP	Cingular A	E-Plus B	Losses on Equity Invest. C	Brazil Loan Impairments D	Unbilled Rec. Adj. E	FX Losses (Gains) F	A&P Acctg. Change G	FAS 142 H	Pension/ Severance J	Disposition of Listel K	Asset Impairments L	Early Extng. of Debt M	Florida Late Pay N		
Operating Revenues	\$ 22,440	\$5,807	\$ -	\$ -	\$ -	\$ 163	\$ -	\$ 49	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108	\$ 28,567	
Operating Expenses	17,694	4,799	-	-	-	-	-	50	-	(654)	-	(427)	-	-	21,462	
Operating Income	4,746	1,008	-	-	-	163	-	(1)	-	654	-	427	-	108	7,105	
Interest Expense	1,188	244	-	-	-	-	-	-	-	-	-	-	-	(6)	1,426	
Other Income (Expense), net	858	(764)	(1,339)	388	383	-	579	-	-	-	74	(3)	37	-	213	
Income Before Taxes and Accounting Change	4,416	-	(1,339)	388	383	163	579	(1)	-	654	74	424	37	114	5,892	
Provision for Income Taxes	1,808	-	(482)	114	120	62	(18)	-	-	248	23	141	15	44	2,075	
Net Income Before Cumulative Effect Change	2,608	-	(857)	274	263	101	597	(1)	-	406	51	283	22	70	3,817	
Cumulative Effect of Change in Accounting Principle	(1,285)	-	-	-	-	-	-	-	1,285	-	-	-	-	-	-	
Net Income	\$1,323	\$0	(\$857)	\$274	\$263	\$101	\$597	(\$1)	\$1,285	\$406	\$51	\$283	\$22	\$70	\$3,817	
Diluted Earnings Per Share *	\$0.71	\$0.00	(\$0.46)	\$0.15	\$0.14	\$0.05	\$0.32	(\$0.00)	\$0.68	\$0.22	\$0.03	\$0.15	\$0.01	\$0.04	\$2.03	

* Normalized earnings per share for year-to-date 2002 does not sum due to rounding.

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Notes to Normalized Financial and Operating Data (pages 3 and 4)

Our normalized earnings have been adjusted for the following:

- (a) The periods presented have been adjusted to include our 40% proportional share of Cingular Wireless' operating results, net of proportional eliminations for amounts charged by other BellSouth companies to Cingular.
- (b) Gain on E-Plus conversion and sale of KPN stock - In March 2002, we exchanged our 22.5% investment in E-Plus, a German wireless carrier, for 234.7 million shares of KPN Royal. As a result of this exchange, we recorded a pretax gain of \$1,335 to recognize the difference between the fair value of the KPN shares obtained and our investment balance in E-Plus. In addition, we subsequently sold the KPN shares for cash proceeds of \$1,076 and recognized a pretax loss of \$27. The amount shown also includes income of \$20 generated from the settlement of forward contracts associated with advances to E-Plus. These advances were restructured in conjunction with the ownership exchange.
- (c) Losses on equity investments - Represents charges for the impairment of and open market sales of an equity investment in Qwest Communications. Also includes \$63 impairment related to an investment in Guatemala and \$6 in losses for the liquidation of an investment in Crown Castle.
- (d) Brazil loan impairments - Represents recognition of an impairment on shareholder loans to our Brazilian equity investments, as well as the recognition of a guarantee on a portion of those operations' debt.
- (e) Unbilled receivable adjustment - During first quarter 2002, BellSouth determined that the unbilled receivable balance at its advertising and publishing subsidiary was overstated. As a result, BellSouth recorded a reduction to advertising and publishing revenues.
- (f) Foreign currency transaction (gains) losses - Represents net transaction (gains) losses incurred by our Latin American operations related primarily to US Dollar denominated liabilities. These (gains) losses reflect the impact of the (strengthening) weakening of those operations' local currencies against the U.S. Dollar which requires recognition in the current period income statement.
- (g) Change in method of accounting related to our directory publishing business from the issue basis method to the deferral method - The 2003 amount is a one-time charge to net income of \$501. The 2002 amounts reflect our recasting of prior year results to present the advertising and publishing segment on a comparable basis year-over-year.
- (h) Adoption of Financial Accounting Standard No. 142 (FAS 142) - Represents a one-time charge related to the adoption of new accounting rules for goodwill. The non-cash charge reduced the value of goodwill on the company's balance sheet by approximately \$1.3 billion.
- (i) Adoption of Financial Accounting Standard No. 143 (FAS 143) - Represents a one-time charge related to the adoption of new accounting rules associated with obligations related to the retirement of long-lived assets. The adjustment resulted in a one-time increase to net income of \$816.
- (j) Pension/Severance Costs - Represents severance accruals recorded to reflect workforce reductions in an effort to reduce operating costs. The accruals include cash severance, outplacement costs and payroll taxes. Amounts also include pension settlements as the number of employees who separated and elected to receive lump-sum retirement benefits exceeded thresholds which required current recognition of deferred amounts related to these benefits.
- (k) Loss on sale of Brazil NE, Brazil SP and Listel (BellSouth's Brazilian yellow pages operation).
- (l) Service curtailments/Asset impairments - The 2003 charge for asset impairment represents the write-off of capitalized software related to an abandoned systems project. Prior periods represent charges related to the impairment of MMDS spectrum previously held for sale (\$150 after tax), impairments related to Cingular Wireless's TDMA network assets and Mobitex data business (\$48 after tax) and the decision to eliminate sales of certain services: wholesale long distance (\$17 after tax), e-business services (\$44 after tax), multi-media internet exchange (\$20 after tax) and public communications (pay phones) (\$4 after tax). Charges relate to asset impairments, early termination penalties on contracts and leases, and severance for affected employees.
- (m) Early extinguishment of debt - Represents one-time expenses associated with the early extinguishment of \$620 million of long-term debt.
- (n) Florida late payment fees - On October 31, 2002, the Florida Supreme Court, by a 5-2 vote affirmed the decision of the Florida Public Service Commission regarding our dispute over late payment fees. This will require a one-time refund to affected customers in Florida. Based on this decision, we recorded a reduction to revenues of \$108 plus interest expense of \$6 in the third quarter of 2002.

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Consolidated Balance Sheets (unaudited)
(amounts in millions, except per share data)

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	December 31, 2003	December 31, 2002	Change vs. Prior Year	September 30, 2003	Change vs. Prior Quarter
Assets					
Current Assets:					
Cash and cash equivalents	\$4,556	\$2,482	\$2,074	\$5,025	(\$469)
Accounts receivable, net of allowance for uncollectibles of \$438, \$476, and \$461	2,847	4,129	(1,282)	3,013	(166)
Material and supplies	375	313	62	329	46
Other current assets	990	938	52	932	58
Total Current Assets	8,768	7,862	906	9,299	(531)
Investments and Advances	8,552	9,741	(1,189)	8,394	158
Property, Plant and Equipment, net	23,807	23,445	362	23,765	42
Deferred Charges and Other Assets	5,855	5,726	129	5,756	99
Goodwill	342	347	(5)	346	(4)
Intangible Assets, net	2,297	2,358	(61)	2,262	35
Total Assets	\$49,621	\$49,479	\$142	\$49,822	(\$201)
Liabilities and Shareholders' Equity					
Current Liabilities:					
Debt maturing within one year	\$3,491	\$5,114	(\$1,623)	\$3,347	\$144
Accounts payable	1,258	1,572	(314)	1,294	(36)
Other current liabilities	3,628	2,897	731	3,701	(73)
Total Current Liabilities	8,377	9,583	(1,206)	8,342	35
Long-Term Debt	11,489	12,283	(794)	11,646	(157)
Noncurrent Liabilities:					
Deferred income taxes	5,349	4,452	897	5,352	(3)
Other noncurrent liabilities	4,694	5,255	(561)	4,810	(116)
Total Noncurrent Liabilities	10,043	9,707	336	10,162	(119)
Shareholders' Equity:					
Common stock, \$1 par value	2,020	2,020	0	2,020	0
Paid-in capital	7,729	7,546	183	7,656	73
Retained earnings	16,540	14,531	2,009	16,251	289
Accumulated other comprehensive income	(585)	(740)	155	(771)	186
Shares held in trust and treasury	(5,992)	(5,372)	(620)	(5,488)	(504)
Guarantee of ESOP debt	0	(79)	79	4	(4)
Total Shareholders' Equity	19,712	17,906	1,806	19,672	40
Total Liabilities and Shareholders' Equity	\$49,621	\$49,479	\$142	\$49,822	(\$201)

See Accompanying Notes at Page 14

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Consolidated Statements of Cash Flows (unaudited)
(amounts in millions, except per share data)

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	Year-To-Date		
	4Q03	4Q02	3Q03
Cash Flows from Operating Activities:			
Net income	\$ 787	\$ 574	\$ 936
Adjustments to net income:			
Depreciation and amortization	1,043	1,151	1,052
Provision for uncollectibles	140	233	117
Net losses (earnings) of equity affiliates	(30)	(88)	(82)
Minority interests in income of subsidiaries	17	6	18
Deferred income taxes	(5)	189	275
Net (gains) losses on sale or impairment of equity securities	(49)	(39)	(1)
Pension income	(134)	(208)	(134)
Pension settlement (gains) losses	(40)	60	-
Curtailment and termination benefits charges	-	-	-
Stock-based compensation	35	39	35
Unbilled receivable adjustment	-	-	-
Asset impairments	-	221	52
Foreign currency transaction (gains) losses	(22)	42	7
Cumulative effect of changes in accounting principle	-	-	-
(Gain) loss on sale/disposal of operations	154	74	-
Net change in:			
Accounts receivable and other current assets	(63)	(195)	(68)
Accounts payable and other current liabilities	(140)	(401)	228
Deferred charges and other assets	48	53	128
Other liabilities and deferred credits	(145)	13	(100)
Other reconciling items, net	38	(11)	6
Net cash provided by operating activities	1,634	1,713	2,469
Cash Flows from Investing Activities:			
Capital expenditures	(1,076)	(922)	(764)
Investments in and advances to equity affiliates	-	(28)	-
Investments in debt and equity securities	(200)	(8)	(40)
Proceeds from sale of securities and operations	154	1	1
Proceeds from repayment of loans and advances	-	453	-
Settlement of derivatives on advances	-	-	-
Other investing activities, net	(3)	(12)	(9)
Net cash provided by (used for) investing activities	(1,125)	(516)	(812)
Cash Flows from Financing Activities:			
Net borrowing (repayments) of short-term debt	(16)	(278)	(30)
Proceeds from long-term debt	-	9	-
Repayments of long-term debt	(39)	(4)	(307)
Dividends paid	(425)	(372)	(424)
Purchase of treasury shares	(536)	(136)	-
Other financing activities, net	38	16	7
Net cash used for financing activities	(978)	(765)	(754)
Net Increase (Decrease) in Cash and Cash Equivalents	(469)	432	903
Cash and Cash Equivalents at Beginning of Period	5,025	2,050	4,122
Cash and Cash Equivalents at End of Period	\$ 4,556	\$ 2,482	\$ 5,025

See Accompanying Notes at Page 14

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Results by Segment (amounts in millions) (unaudited)

Attachment 2
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Communications Group ⁽¹⁾

	Year-To-Date				
	4Q03	4Q02	Growth	3Q03	Growth
Operating Revenues					
Voice	\$3,132	\$3,056	2.5%	\$3,184	-1.6%
Data	1,099	1,057	4.0%	1,118	-1.7%
Other	387	408	-5.1%	366	5.7%
Total Operating Revenues	4,618	4,521	2.1%	4,668	-1.1%
Operating Expenses					
Cost of services and products	1,698	1,597	6.3%	1,720	-1.3%
Selling, general, & administrative expenses	792	772	2.6%	755	4.9%
Depreciation and amortization	941	1,041	-9.6%	949	-0.8%
Total Operating Expenses	3,431	3,410	0.6%	3,424	0.2%
Segment Operating Income	1,187	1,111	6.8%	1,244	-4.6%
Interest Expense	90	134	-32.8%	98	-8.2%
Other Income (Expense), net	10	1	N/M*	7	42.9%
Income Before Income Taxes	1,107	978	13.2%	1,153	-4.0%
Provision for Income Taxes	393	374	5.1%	426	-7.7%
Segment Net Income ⁽¹⁾	\$714	\$604	18.2%	\$727	-1.8%

Year-To-Date		
2003	2002	Growth
\$12,622	\$12,498	1.0%
4,371	4,276	2.2%
1,455	1,715	-15.2%
18,448	18,489	-0.2%
6,755	6,525	3.5%
3,079	2,887	6.7%
3,771	4,161	-9.4%
13,605	13,573	0.2%
4,843	4,916	-1.5%
407	498	-18.3%
38	4	N/M
4,474	4,422	1.2%
1,645	1,671	-1.6%
\$2,829	\$2,751	2.8%

* - Not meaningful.

Selected Financial and Operating Data

(amounts in millions)

Segment operating income	\$1,187	\$1,111	6.8%	\$1,244	-4.6%	\$4,843	\$4,916	-1.5%
Segment operating margin	25.7%	24.6%	110 bps	26.6%	-90 bps	26.3%	26.6%	-30 bps
Long distance revenues	\$411	\$227	81.1%	\$381	7.9%	\$1,354	\$862	57.1%
Access minutes of use	22,903	23,324	-1.8%	23,390	-2.1%	92,141	98,571	-6.5%
Capital expenditures	\$901	\$760	18.6%	\$692	30.2%	\$2,824	\$3,337	-15.4%
(amounts in thousands)								
Wholesale Lines	3,039	2,385	27.4%	2,873	5.8%			
DSL customers	1,462	1,021	43.2%	1,336	9.4%			
LD customers	3,960	1,002	295.2%	3,440	15.1%			
Consumer ARPU ⁽⁵⁾	\$53.28	\$49.10	8.5%	\$53.46	-0.3%			

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Results by Segment (unaudited)

Supplemental Operating Data (in thousands)

 Attachment 2
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Communications Group — Network Access Lines In Service(a)(b)					
	4Q03	4Q02	Growth	3Q03	Growth
Access lines (b)					
Residence					
Retail					
Primary	12,479	13,260	-5.9%	12,684	-1.6%
Additional	1,601	1,926	-16.9%	1,671	-4.2%
Total Retail Residence	14,080	15,186	-7.3%	14,355	-1.9%
Wholesale					
Resale	177	342	-48.2%	198	-10.6%
UNE-P	1,696	934	81.6%	1,534	10.6%
Total Wholesale Residence	1,873	1,276	46.8%	1,732	8.1%
Total Residence	15,953	16,462	-3.1%	16,087	-0.8%
Business					
Retail					
Voice	5,417	5,687	-4.7%	5,484	-1.2%
ISDN	1,440	1,567	-8.1%	1,432	0.6%
Total Retail Business	6,857	7,254	-5.5%	6,916	-0.9%
Wholesale					
Resale	79	94	-16.0%	82	-3.7%
UNE-P	693	611	13.4%	660	5.0%
Total Wholesale Business	772	705	9.5%	742	4.0%
Total Business	7,629	7,959	-4.1%	7,658	-0.4%
Other Retail/Wholesale Lines					
Retail	97	155	-37.4%	113	-14.2%
Wholesale	50	27	85.2%	46	8.7%
Total Other Retail/Wholesale Lines	147	182	-19.2%	159	-7.5%
Total Access Lines in Service	23,729	24,603	-3.6%	23,904	-0.7%
Access Line Equivalents (c)					
Selected digital data services:					
Unbundled Loops	344	377	-8.8%	353	-2.5%
DS0 & ADSL	9,051	6,437	40.6%	8,301	9.0%
DS1	7,178	6,908	3.9%	7,088	1.3%
DS3 & higher	31,534	31,704	-0.5%	31,309	0.7%
Total digital data lines in service	48,107	45,426	5.9%	47,051	2.2%
Total equivalent access lines in service	71,836	70,029	2.6%	70,955	1.2%

(a) Prior period operating data are often revised at later dates to reflect updated information. The above information reflects the latest data available for the periods indicated.

(b) Access line counts include amounts for switched access lines, Basic Rate ISDN (converted at 1.5:1), Primary Rate ISDN (converted at 24:1) and UNE Combos.

(c) Access line equivalents represent a conversion of non-switched data circuits to a switched access line basis and is presented for comparability purposes. Equivalents are calculated by converting high-speed/high-capacity circuits to the equivalent of a switched access line based on transport capacity. While the revenues generated by access line equivalents have a directional relationship with these counts, revenue growth rates cannot be compared to line growth rates on an equivalent basis.

BellSouth Corporation

Results by Segment (amounts in millions) (unaudited)

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Domestic Wireless Segment ^{(1)(a)}

	4Q03	4Q02	Growth	3Q03	Growth	Year-To-Date		
						2003	2002	Growth
Operating Revenues								
Service revenues ^{(3)(b)}	\$1,414	\$1,384	2.2%	\$1,471	-3.9%	\$5,689	\$5,569	2.2%
Equipment and other revenues	151	97	55.7%	153	-1.3%	504	392	28.6%
Total Operating Revenues	1,565	1,481	5.7%	1,624	-3.6%	6,193	5,961	3.9%
Operating Expenses								
Cost of services and products ^(b)	607	484	25.4%	643	-5.6%	2,273	1,965	15.7%
Selling, general, & administrative expenses	599	526	13.9%	577	3.8%	2,170	2,170	0.0%
Depreciation and amortization	228	187	21.9%	209	9.1%	835	740	12.8%
Total Operating Expenses	1,434	1,197	19.8%	1,429	0.3%	5,278	4,875	8.3%
Segment Operating Income	131	284	-53.9%	195	-32.8%	915	1,086	-15.7%
Interest Expense	82	93	-11.8%	79	3.8%	343	364	-5.8%
Other Income (Expense), net	(38)	(30)	-26.7%	(44)	13.6%	(152)	(141)	-7.8%
Income Before Income Taxes	11	161	-93.2%	72	-84.7%	420	581	-27.7%
Provision for Income Taxes	(1)	63	-101.6%	28	-103.6%	159	224	-29.0%
Segment Net Income ⁽¹⁾	\$12	\$98	-87.8%	\$44	-72.7%	\$261	\$357	-26.9%

Selected Financial and Operating Data

(amounts in millions, except customer data in thousands)

Segment operating income	\$131	\$284	-53.9%	\$195	-32.8%	\$915	\$1,086	-15.7%
Segment operating margin	8.4%	19.2%	-1080 bps	12.0%	-360 bps	14.8%	18.2%	-340 bps
Cellular/PCS Operating Metrics:								
Total Customers	9,611	8,770	9.6%	9,354	2.7%	9,611	8,770	9.6%
Net Customer Additions	257	(48)	635.4%	298	-13.8%	846	144	487.5%
Partitioned Customers and/or Adjustments	0	13	-100.0%	0	N/M*	6	13	-53.8%
Churn	2.8%	2.7%	10 bps	2.8%	0 bps	2.7%	2.8%	-10 bps
Wireless Service ARPU ⁽⁵⁾	\$49.03	\$51.84	-5.4%	\$52.43	-6.5%	\$51.32	\$52.14	-1.6%
Minutes Of Use Per Subscriber	475	406	17.0%	456	4.2%	446	390	14.4%
Licensed POPs ⁽⁶⁾	94	88	6.8%	94	0.0%	94	88	6.8%
Penetration ⁽⁶⁾	10.8%	10.1%	70 bps	10.6%	20 bps	10.8%	10.1%	70 bps
Cingular Interactive Operating Metrics:								
Total Customers	316	327	-3.4%	315	0.3%	316	327	-3.4%
Net Customer Additions	-	6	-100.0%	-	N/M	(12)	34	-135.3%

* - Not meaningful.

(a) The domestic wireless segment is comprised of BellSouth's 40% share of the reported results of Cingular Wireless.

(b) In an effort to be consistent with emerging industry practices, the income statement for all periods presented has been changed to reflect billings to our customers for the Universal Service Fund (USF) and other regulatory fees as "Service revenues" and the related payments into the associated regulatory funds as "Cost of services" expenses. Operating income and net income for all prior periods have been unaffected. Following are the amounts used to adjust the 2002-2003 historical financial results (included in amounts above).

Service revenues	39	18	116.7%	42	-7.1%	135	70	92.9%
Cost of services and products	39	18	116.7%	42	-7.1%	135	70	92.9%

See Accompanying Notes at Page 14

BellSouth Corporation

Results by Segment (amounts in millions) (unaudited)

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Latin America Group ⁽¹⁾⁽²⁾

						Year-To-Date		
	4Q03	4Q02	Growth	3Q03	Growth	2003	2002	Growth
Operating Revenues								
Service revenues ⁽³⁾	\$531	\$411	29.2%	\$494	7.5%	\$1,928	\$1,878	2.7%
Equipment and other revenues	105	70	50.0%	94	11.7%	370	320	15.6%
Advertising and publishing revenues	-	5	-100.0%	-	N/M*	-	40	-100.0%
Total Operating Revenues	636	486	30.9%	588	8.2%	2,298	2,238	2.7%
Operating Expenses								
Cost of services and products	246	172	43.0%	249	-1.2%	996	841	18.4%
Selling, general, & administrative expenses	165	132	25.0%	151	9.3%	606	678	-10.6%
Depreciation and amortization	93	98	-5.1%	91	2.2%	367	440	-16.6%
Total Operating Expenses	504	402	25.4%	491	2.6%	1,969	1,959	0.5%
Segment Operating Income	132	84	57.1%	97	36.1%	329	279	17.9%
Interest Expense	25	30	-16.7%	31	-19.4%	121	138	-12.3%
Other Income (Expense), net	(13)	(9)	-44.4%	(4)	-225.0%	(20)	(61)	67.2%
Income Before Income Taxes	94	45	108.9%	62	51.6%	188	80	135.0%
Provision for Income Taxes	32	6	N/M	14	128.6%	27	(28)	196.4%
Segment Net Income ⁽¹⁾	\$62	\$39	59.0%	\$48	29.2%	\$161	\$108	49.1%

* - Not meaningful.

Selected Financial and Operating Data

(amounts in millions, except customer data in thousands)

Segment operating income	\$132	\$84	57.1%	\$97	36.1%	\$329	\$279	17.9%
Segment operating margin	20.8%	17.3%	350 bps	16.5%	430 bps	14.3%	12.5%	180 bps
Average monthly revenue per customer ⁽³⁾	\$19	\$17	11.8%	\$18	5.6%	\$18	\$19	-5.3%
Customer net adds in period ^(a)	345	259	33.2%	421	-18.1%	1,515	362	N/M
Customers (voice) ^(a)	9,696	8,172	18.6%	9,351	3.7%	9,696	8,172	18.6%
POPs	160,600	162,100	-0.9%	160,600	0.0%	160,600	162,100	-0.9%
Penetration rate ⁽⁴⁾	6.0%	5.0%	100 bps	5.8%	20 bps	6.0%	5.0%	100 bps

(a) The beginning balance of 3Q02 customers was adjusted to include 225 customers related to fixed wireless customers in Venezuela. Year-to-date net adds for 2002 would have been 143 higher. Annual growth in net adds would have been 200%.

BellSouth Corporation

Worldwide Wireless (unaudited)
Customers and POPs by Country (in thousands)

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		Ownership Percentage	Total Customers As of					Total POPs As of				
Country	Brand	As of 4Q03	4Q03	4Q02	Growth	3Q03	Growth	4Q03	4Q02	Growth	3Q03	Growth
United States	Cingular Wireless	40.0%	24,027	21,925	9.6%	23,385	2.7%	236,000	219,000	7.8%	236,000	0.0%
Argentina	Movicom BellSouth	86.7%	1,487	1,320	12.7%	1,391	6.9%	37,400	37,500	-0.3%	37,400	0.0%
Chile	BellSouth	100.0%	1,301	1,032	26.1%	1,238	5.1%	15,300	15,400	-0.6%	15,300	0.0%
Colombia	Celumovil BellSouth	66.0%	1,915	1,349	42.0%	1,824	5.0%	40,300	43,000	-6.3%	40,300	0.0%
Ecuador	BellSouth	89.4%	816	632	29.1%	833	-2.0%	13,200	12,800	3.1%	13,200	0.0%
Guatemala	BellSouth	60.0%	252	193	30.6%	246	2.4%	13,000	11,700	11.1%	13,000	0.0%
Nicaragua	BellSouth	89.0%	229	201	13.9%	262	-12.6%	2,900	2,900	0.0%	2,900	0.0%
Panama	BellSouth	43.7%	420	335	25.4%	405	3.7%	2,800	3,000	-6.7%	2,800	0.0%
Peru	BellSouth	97.4%	642	530	21.1%	614	4.6%	27,500	26,100	5.4%	27,500	0.0%
Uruguay	Movicom BellSouth	46.0%	146	143	2.1%	143	2.1%	2,100	2,100	0.0%	2,100	0.0%
Venezuela	Telcel BellSouth	78.2%	3,307	3,107	6.4%	3,189	3.7%	24,000	24,400	-1.6%	24,000	0.0%
Total Latin America			10,515	8,842	18.9%	10,145	3.6%	178,500	178,900	-0.2%	178,500	0.0%
Denmark	Sonofon	46.5%	1,367	1,135	20.4%	1,305	4.8%	5,300	5,300	0.0%	5,300	0.0%
Israel	Cellcom	34.8%	2,283	2,446	-6.7%	2,614	-12.7%	6,100	6,100	0.0%	6,100	0.0%
Total Europe			3,650	3,581	1.9%	3,919	-6.9%	11,400	11,400	0.0%	11,400	0.0%
Total Worldwide Wireless			38,192	34,348	11.2%	37,449	2.0%	425,900	409,300	4.1%	425,900	0.0%

BellSouth Corporation

Results by Segment (amounts in millions) (unaudited)

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Advertising & Publishing ⁽¹⁾

	Year-To-Date				
	4Q03	4Q02	Growth	3Q03	Growth
Operating Revenues					
Advertising and publishing revenues	470	497	-5.4%	475	-1.1%
Commission revenues	52	59	-11.9%	30	73.3%
Total Operating Revenues	522	556	-6.1%	505	3.4%
Operating Expenses					
Cost of services	91	86	5.8%	94	-3.2%
Selling, general, & administrative expenses	184	265	-30.6%	168	9.5%
Depreciation and amortization	7	8	-12.5%	5	40.0%
Total Operating Expenses	282	359	-21.4%	267	5.6%
Segment Operating Income	240	197	21.8%	238	0.8%
Interest Expense	2	3	-33.3%	1	100.0%
Other Income (Expense), net	1	(2)	150.0%	-	N/M*
Income Before Income Taxes	239	192	24.5%	237	0.8%
Provision for Income Taxes	92	74	24.3%	90	2.2%
Segment Net Income ⁽¹⁾	\$147	\$118	24.6%	\$147	0.0%
Segment operating income	\$240	\$197	21.8%	\$238	0.8%
Segment operating margin	46.0%	35.4%	1060 bps	47.1%	-110 bps

* - Not meaningful.

- (1) Segment net income (loss) is based on normalized results which exclude certain one-time transactions and certain corporate intercompany billings. Intersegment revenues are not eliminated for purposes of management reporting.
- (2) Results for the Latin America segment are reported one month in arrears.
- (3) Wireless service revenues includes activation fees, access, airtime, roaming, long distance and value added services. Roaming revenues are included on a gross basis for the Domestic Wireless segment and on a net basis for the Latin America segment. Average monthly revenue per customer is calculated by dividing average monthly service revenue by average customers.
- (4) Penetration rate is calculated by dividing customers by POPs (excludes POPs in markets where service has not been initiated).
- (5) Management uses average revenue per unit (ARPU) as an indicator of operating performance of the business.
Consumer ARPU - is defined as consumer revenues during the period divided by average primary access lines during the period.
Wireless Service ARPU - Cellular/PCS is defined as Cellular/PCS service revenues during the period divided by average Cellular/PCS subscribers during the period. This metric is used to compare the recurring revenue amounts being generated on our network to prior periods and internal targets.
We believe that each of these metrics provides useful information concerning the performance of our initiatives to attract and retain high value customers and the use of our network.
- (6) Licensed POPs refers to the number of people residing in areas where Cingular and its partners, Salmon and T-Mobile USA, Inc., have licenses to provide cellular or PCS service, including the New York City metropolitan area, and in areas where Cingular has not yet commenced service, such as the Salt Lake City area. As a result of the consolidation of Salmon, effective January 1, 2003, Salmon's licensed POPs of 4 million (BellSouth's 40% share) are included in the 2003 total licensed POPs. Penetration calculation is based upon licensed operational POPs of 89 million (BellSouth's 40% share). The New York City metropolitan area is included in the penetration calculation, beginning in the third quarter of 2002.

BellSouth Corporation

Non-GAAP Measures - Reconciliation
(amounts in millions) (unaudited)

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Segment Net Income Reconciliation to GAAP Net Income

	4Q03	4Q02	3Q03	Year-to-Date	
	2003	2002		2003	2002
Communications group segment net income	\$ 714	\$ 604	\$ 727	\$ 2,829	\$ 2,751
Domestic wireless group segment net income ^(a)	12	98	44	261	357
Latin America group segment net income	62	39	48	161	108
Advertising and publishing group segment net income	147	118	147	600	545
Corporate, eliminations and other	14	(13)	14	(10)	56
Normalized net income	949	846	980	3,841	3,817
Add back Excluded non-recurring or non-operational items ^(b)	(162)	(272)	(44)	63	(2,494)
Consolidated GAAP net income	\$ 787	\$ 574	\$ 936	\$ 3,904	\$ 1,323

Free Cash Flow

	4Q03	4Q02	3Q03	Year-to-Date	
	2003	2002		2003	2002
Net cash provided by operating activities	\$ 1,634	\$ 1,713	\$ 2,469	\$ 8,529	\$ 8,246
Less Capital Expenditures	(1,076)	(922)	(764)	(3,200)	(3,785)
Operating Free Cash Flow	\$ 558	\$ 791	\$ 1,705	\$ 5,329	\$ 4,461

Net Debt

	December 31, 2003	December 31, 2002	September 30, 2003
Total Debt	\$ 14,980	\$ 17,397	\$ 14,993
Less Cash	(4,556)	(2,482)	(5,025)
Net Debt	\$ 10,424	\$ 14,915	\$ 9,968

Communications Group Operating Income before Depreciation and Amortization

	4Q03	4Q02	3Q03	Year-to-Date	
	2003	2002		2003	2002
Operating Revenues	\$ 4,618	\$ 4,521	\$ 4,668	\$ 18,448	\$ 18,489
Operating Income	1,187	1,111	1,244	4,843	4,916
Add back Depreciation and amortization	941	1,041	949	3,771	4,161
Operating Income before Depreciation and Amortization	\$ 2,128	\$ 2,152	\$ 2,193	\$ 8,614	\$ 9,077
Margin	46.1%	47.6%	47.0%	46.7%	49.1%

(a) The domestic wireless segment is comprised of BellSouth's 40% share of the reported results of Cingular Wireless.

(b) See pages 3 and 4 for detail of excluded items.